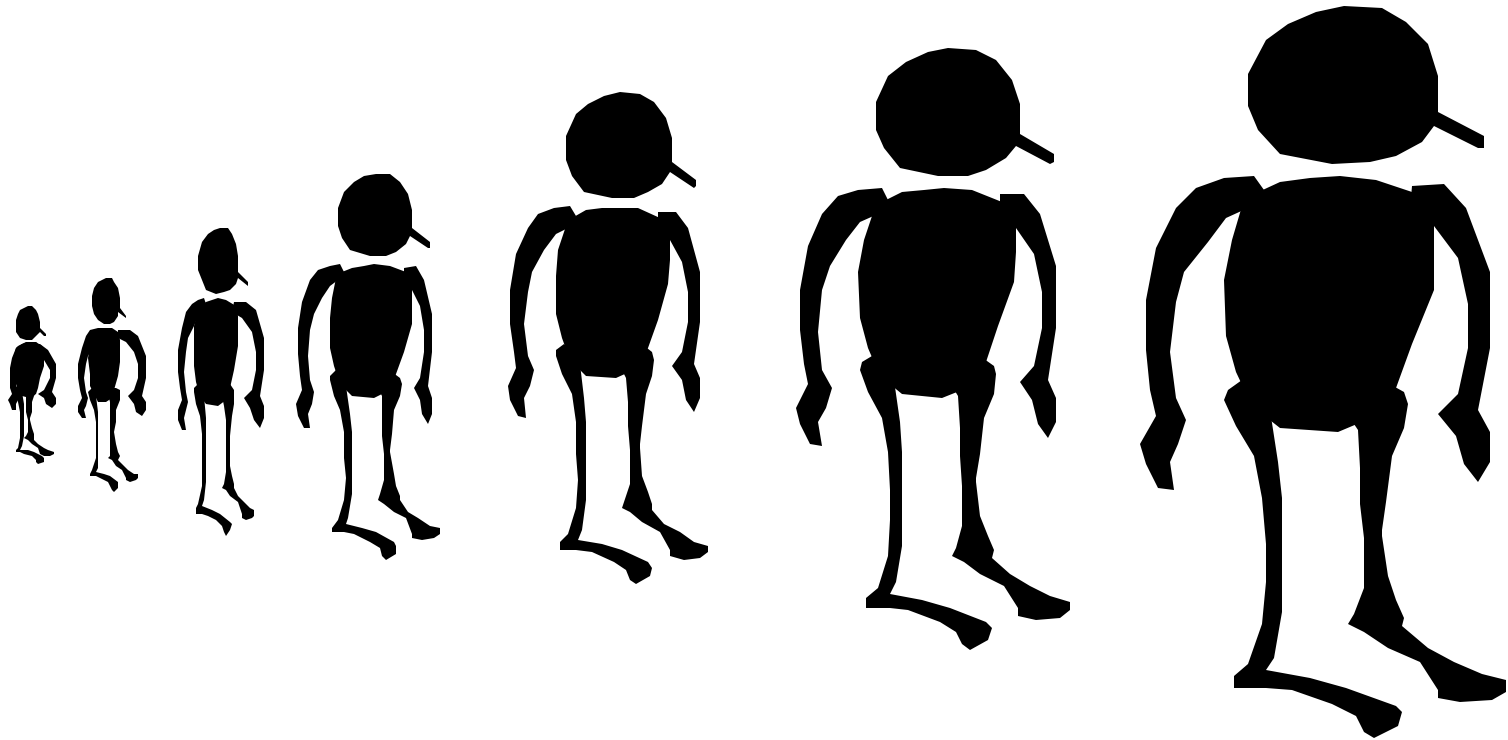


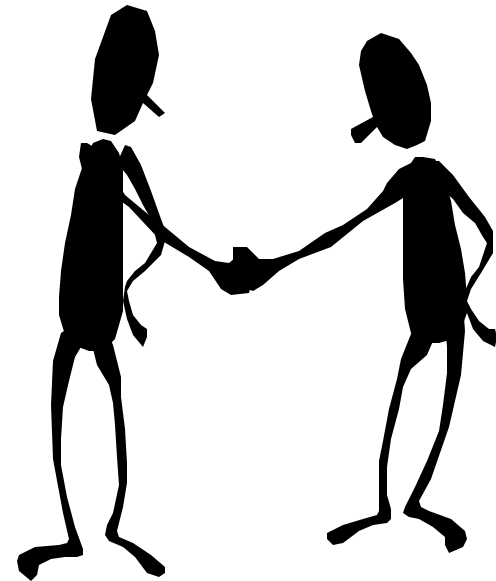
AWARD TERM CONTRACTING



Award Term

The reward for doing a good job in private industry is a continuing business relationship...

Why can't the government do the same?



Focus of Award Term Approach

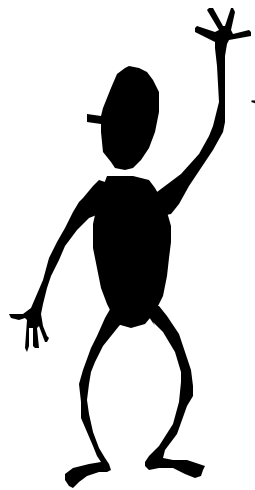
- Most Contractors interviewed disclosed that under IF/AF contracts their strategy is to max out the Award Fee and hit target costs on the IF portion
- Whereas IF/AF rewards technical excellence @ target costs, ATC is designed to reward technical excellence @ reduced costs

Award Term Definition

- Concept derived from award fee contracts
- Score goes toward earning additional periods of performance w/o having to compete for the award instead of equating to % fee earned
- Fee provisions are separate
- **Award Term provides a method of fostering long-term relationships & rewarding good performance coupled w/ cost savings/containment**

Award Term Contracting Pilot

- Candidate Acquisitions: Routine operations, base ops, logistics etc.
- Motivation: **Additional contract periods for excellent performance w/ reduced costs**
- Performance “Report Card”
 - Process analogous to Award Fee
- Maximum term established in RFP
- Fee/Profit is independent



Will you define “routine operations”?

“Routine Operations” for the purposes of the Award Term pilot are non R&D services where we have good metrics. In other words, where we can clearly define “excellence” in largely objective terms in advance and objectively measure performance as we go along

Contracts will normally be Performance Based

Award Term Pilot

“Original Model”

- 3.5 - 5 - 10
 - 5 Year “Core”
 - 3.5 year minimum
 - 10 year maximum
- Contractor must stay 18 months “ahead” after “core” period or term becomes “set”
- 2 Award Term Periods Annually
- Retains AF scoring scheme
 - +9 months w/ “Excellent” annual average
 - -9 months w/ “Poor”

Award Term Pilot Model

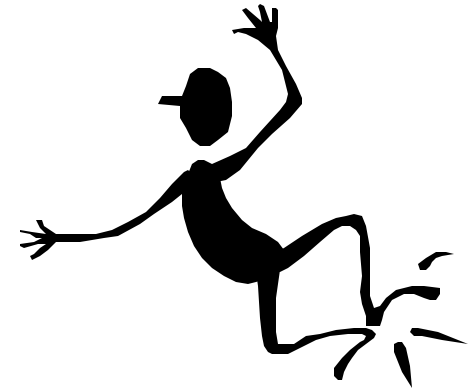
Minimum-Core-Maximum

- “Core” period of performance
 - usually 5 Years
- minimum period of performance
 - less than five years, depending on when deduction schedule commences
- maximum period of performance
 - no more than 10 years

Award Term Pilot Model (cont.)

- Contractor must stay a specified number of months “ahead” after “core” period or term becomes “set”
 - usually is 12 or 18 months
- 2 Award Term Periods Annually
- Retains AF scoring scheme
 - + specified number of months w/ “Excellent” annual average, after meeting cost gate
 - usually 9 or 12 months
 - - specified number of months w/ “Poor”
 - again, usually 9 or 12 months

Award Term Pilot

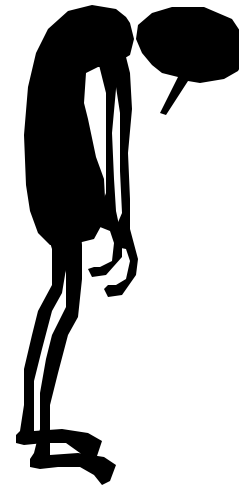


- 1 Excellent
- 2 Excellent
- 3 Excellent
- 4 Excellent
- 5 Excellent
- 6 Excellent
- 7 Excellent
- 8
- 9
- 10

- 1
- 2
- 3
- 4
- 5
- 6 +9(1) +3(2)
- 7 +6(2) +6(3)
- 8 +3(3) +9(4)
- 9 +9(5) +3(6)
- 10 +6(6) +6(7)

Award Term Pilot

- 1 Poor
 - 2 Poor
 - 3
 - 4
 - 5
- 1 XXX
 - 2 End of Year 2: 18 months left.
Term set at 3 1/2 Years
 - 3
 - 4 -6(2)
 - 5 -9(1) -3(2)



Award Term Pilot



- 1 Good/VG
- 2 Good/VG
- 3 Excellent
- 4 Excellent
- 5 Excellent
- 6 Excellent
- 7 Excellent
- 8 Excellent
- 9 Excellent
- 10

(Note: * Shows months ahead at end of year...)

...	27*
• 6 +9(3)	+3(4) 24
• 7 +6(4)	+6(5) 19
• 8 +3(5)	+9(6) 18
• 9 +9(7)	+3(8)
• 10 +6(8)	+6(9)

Award Term Pilot

- 1 Good/VG
 - 2 Good/VG
 - 3 Good/VG
 - 4 Excellent
 - 5 Excellent
 - 6 Excellent
- (Note: * Shows months ahead at end of year...)

... 18*

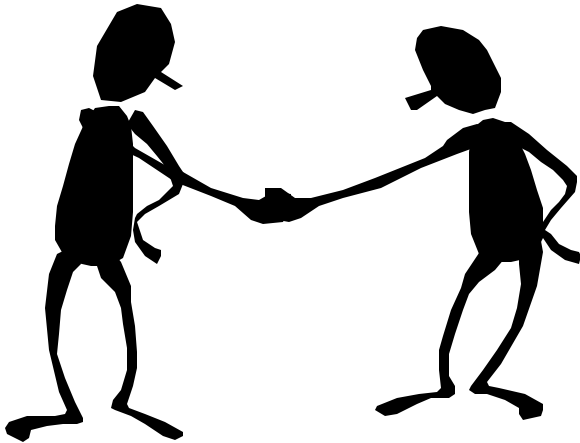
• 6 +9(4) +3(5) 15 Term set

• 7 +6(5) +6(6)

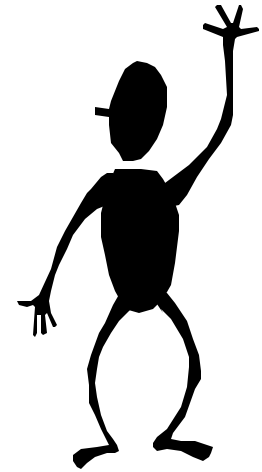
• 8 +3(6)

• 9

• 10

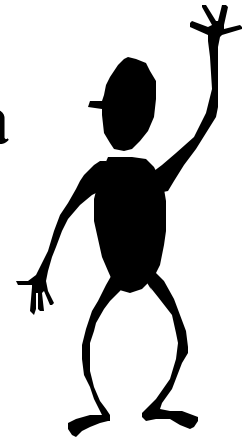


**Can a contractor who gets a “poor”
ever earn more than a 5 year
contract? ... Yes ...**



- 1 Poor (Note: * Shows months ahead at end of
- 2 Good/VG year...)
- 3 Excellent ... 24*
- 4 Excellent ... 21
- 5 Excellent • 5 -9(1) +9(3) 18
- 6 Excellent • 6 +9(4) +3(5) 15 Term set
- 7 +6(5) +6(6)
- 8 +3(6)

If a Contractor goes from an “Excellent” to a “Good” can he still earn term? ... YES...

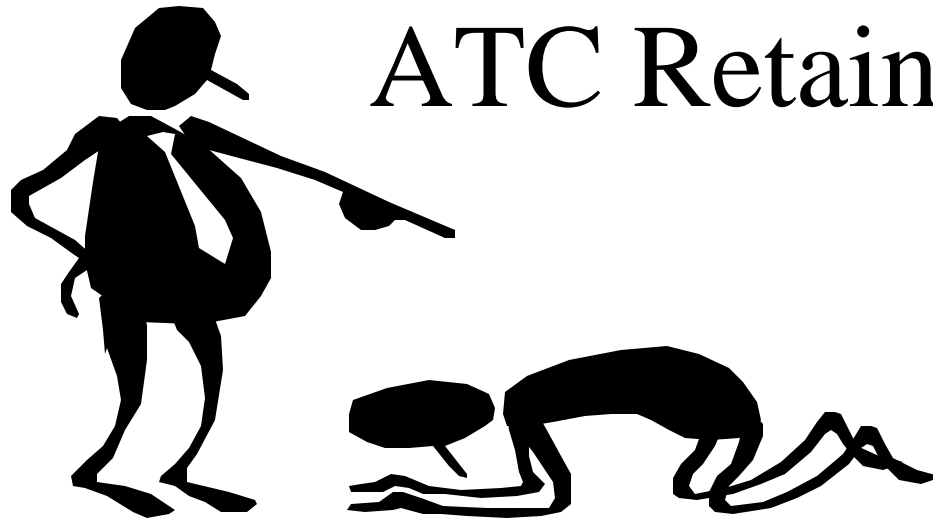


- 1 Good/VG
- 2 Good/VG (Note: * Shows months ahead at end
- 3 Excellent of year...)
- 4 Good/VG ... 21*
- 5 Excellent ... 15 Term set
- 6 +9(3) +6(5)
- 7 +3(5)
- 8
- 9
- 10

Plum Brook Pilot

8(a) Set-aside

- CPFF/Award Term (3-7-10)
 - 3 year Core Period
 - 7 one year Award Term Period
 - 10 year Maximum
- Award Term Plan based on Technical AND Cost
- Evaluation Periods
 - Year 1: Shadow Period
 - Years 2/3: 80+ Avg Earns AT
 - Years 4+: 90+ Avg Earns AT
- If Performance Term remaining \geq 12 months -
Recompete



ATC Retains “Report Card”

Well-suited for
Traditionally IF/AF
Contracts

Advantages:

- Permits shift to IF contracts for Fee
 - Retains cultural comfort
- Encourages shift to FP for routine services
 - e.g. Base Ops, Logistics Support

**WHILE RETAINING REPORT CARD FOR
PERFORMANCE**

Can I Use Award Term for My Acquisition?



- **Candidate Acquisitions normally Competitive**
- **Suitable Contract Types are ...**
 - **CPIF**
 - **Incentive on Cost ONLY**
 - **AT Plan on Technical ONLY**
 - **Must meet “Cost Gateway” to earn additional performance terms**
 - **FFP/FPI**
 - **CPFF possible but not preferred**
 - **AT Plan covers Cost & Technical**
- **CPAF contracts are NOT eligible**

Why aren't CPAF Contracts Eligible Candidates for Award Term?



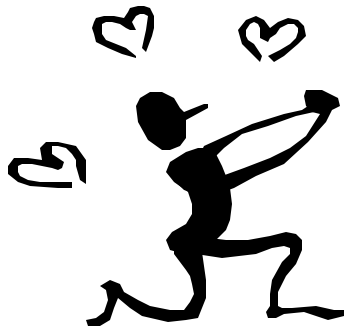
Award Term Contracting should be used when our existing incentives don't work.

- AF scores show that CPAF contracts DO motivate excellent performance
- **Where AT *can* make a difference is in motivating excellent performance while reducing cost.** Although theoretically, CPIF/AF contracts should accomplish this, our experience shows that CPIF/AF contracts motivate excellent performance at target.

Why are CPFF contracts eligible for Award Term Contracting?

- CPFF contracts don't make ideal candidates - however - in the absence of any other motivation, AT contracting does bring a powerful motivator to bear.
- CPFF AT pilots will be limited and generally, selected acquisitions will have other compensating factors which justify pilot participation.





“I Love It!!! How Do I Sign Up?”

- Pilot participation requires AA approval
- Contact Pilot Project Manager Don Abrams:
 - 202 358-0512 dabrams@hq.nasa.gov
- Flexibility is Key
 - Implementation plans will be worked case by case
- 10-Year Contract Value may require MBP amendment HOWEVER - HQ will limit approval to Award Term features ONLY (unless already selected)
- If selected, HQ will provide Blanket Deviation to exceed 5 year contract